



Management's Discussion and Analysis

For the period ended October 31, 2015 (compared October 31, 2014)



Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") provides an analysis of the financial results of the Company for the second quarter ended October 31, 2015 as compared to the second quarter ended October 31, 2014 and has been prepared as of December 21, 2015. This MD&A of the Company should be read in conjunction with the condensed interim unaudited consolidated financial statements and notes thereto for the fiscal quarter ended October 31, 2015 ("Interim Statements") as well as the annual audited consolidated financial statements and notes thereto for the fiscal years ended April 30, 2015 and 2014 ("Annual Statements").

Certain information and discussion included in this MD&A constitutes forward-looking information. Readers are encouraged to refer to cautionary notes contained in the section of "Forward-Looking Statements" at the end of this MD&A.

The financial information as at October 31, 2015 and for the six-month periods ended October 31, 2014 is unaudited, however in the opinion of management, all adjustments necessary to present fairly the results of these periods have been included. The adjustments made were of a normal recurring nature. Interim results may not necessarily be indicative of results anticipated for the year.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including IAS 34 "Interim Financial Reporting", and use the same accounting policies and methods used in the preparation of the company's most recent annual consolidated financial statements. However, all disclosures required for annual financial statements have not been included in these financial statements.

The reporting currency is in Canadian dollars, unless specified as US\$.

Description of Business

Karmin Exploration Inc. ("Karmin" or the "Company") was incorporated in February, 1995 under the Business Corporation Act of Ontario to engage in mineral exploration and development of base metals and gold opportunities in Brazil.

Effective June, 1999 the Company was continued under the Business Corporations Act of Alberta and effective September, 1999, the Company changed its name from Ambrex Mining Corporation (Ambrex) to Karmin Exploration Inc. (Karmin) and consolidated its common shares on the basis of one new share for every three common shares previously issued and outstanding. Karmin's common shares trade publicly on the TSX Venture Exchange and on the Bolsa de Valores de Lima under the symbol "KAR".



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Karmin directly and through an agreement as described below, is in the process of exploring its mining properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of costs incurred on exploration and development is dependent upon the discovery of economically recoverable reserves, the securing and maintenance of the interests in the property, future production or proceeds from the disposition thereof, and the ability of the company to obtain the necessary financing to continue these operations.

Exploration for mineral properties is inherently risky and the success of these strategies is subject to numerous risks. Management cannot guarantee that its strategy will find mineral deposits, or if discovered, that these deposits will be commercially viable. The stock market in general, and the market for mineral exploration companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating results or asset values of those companies. These broad market and industry factors may seriously impact the market price and trading volumes of Karmin's shares, regardless of the actual operating performance.

While the financial statements of the company have been prepared on the basis that the company will continue as a going concern, it is uncertain that the company will be able to realize its assets and discharge its liabilities in the normal course of business. Should it be determined that the company is no longer a going concern, the financial statements will need to include material adjustments that reflect a liquidation basis of preparation.

During 2000, the company signed a contract of association with a Brazilian subsidiary of a major mining company, Anglo American PLC ("Anglo American"). The agreement required the subsidiary of the major mining company to expend US\$3.25 million on exploration on or before December 31, 2003.

During the 2004 fiscal year, the contract of association was amended to allow for a major Brazilian mining company, Votorantim Metais S/A ("Votorantim") to earn into the property and project by expending US\$1.6 million on exploration on or before December 31, 2005.



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Votorantim has reported to the Company that they had spent the following sums on the Aripuanã project to date (Cdn\$ converted at historic Brazilian Real)

	Brazilian Real (millions)	C\$ (millions)
2004	3.38	1.7
2005	6.58	3.4
2006	7.73	4.3
2007	16.77	9.3
2008	21.76	15.0
2009	1.76	1.2
2010	1.24	0.8
2011	0.407	0.6
2012	3.596	2.3
2013	6.36	3.7
2014	4.17	2.1

On December 16, 2011, the company created its wholly-owned subsidiary Karmin Peru S.A.C. to engage in mineral exploration and development of base metals and gold opportunities in Peru.

On February 15, 2012, the company acquired 100% of the right, title and beneficial interest held by Alberto Aurelio Arias Davila, a Peruvian mining entrepreneur and an arm's length party, in two mining concessions forming a portion of the Cushuro Gold Project Property located in the department of La Libertad in the Republic of Peru. An option to purchase a third mining concession was exercised on January 18, 2013.

Outlook

The company's two primary objectives for the balance of 2015 and 2016 include the following:

- review, monitor and report on the results of Karmin's Joint Venture with Votorantim Metais and affiliates (70% owner and the operator of Aripuanã, Brazil project), which is currently completing a pre-feasibility study on the possible development of the Aripuanã, Brazil project and,
- to further the application and preliminary exploration of the newly added Cushuro property, whereby Karmin owns 100% of the 25-square-kilometre Cushuro Gold Project located in the world-class Alto Chicama gold-mining district of northern Peru.



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Results of Operations

Revenues and Expenses

There are no revenues earned by the Company to date as the Company is still in the exploration stage and does not have any producing properties. There were no revenues reported for the quarters ending October 31, 2015 and 2014.

Expenses for the quarter ending October 31, 2015 total \$92,966. Expenses for the same quarter in the prior year totaled \$98,928. This decrease in expenses is due to a decrease in overall activity during this current quarter.

The net result is that the Company recorded a consolidated loss for the second quarter ending October 31, 2015 of \$92,966 (\$0.0015 per share). During the same quarter in the prior year, the company recorded a loss of \$98,928 (\$0.0016 per share). The result in both periods reflects the fact that the Company is incurring expenditures but not earning any revenues from operations. This is a common result for mineral exploration companies in general and it is expected that this trend continue until the Company is able to generate meaningful operating revenues.

Summary of Quarterly Results

The following table sets forth unaudited financial information prepared by management of the Company.

	Three Months Ended			
	Oct 31/15	Jul 31/15	Apr 30/15	Jan 31/15
<u>Earnings Information</u>				
Expenses	\$92,966	\$77,266	\$377,253	\$34,678
Net loss for the period	\$92,966	\$77,266	\$377,253	\$34,678
Loss per share – basic and diluted	\$0.0015	\$0.0013	\$0.006	\$0.0006
<u>Balance Sheet Information</u>				
Total assets	\$14,999,640	\$14,980,029	\$14,918,230	\$14,918,231



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	Three Months Ended			
	Oct 31/14	Jul 31/14	Apr 30/14	Jan 31/14
<u>Earnings Information</u>				
Revenues	\$0	\$1	\$6	\$22
Expenses	\$98,928	\$88,111	\$518,091	\$98,673
Net loss for the period	\$98,928	\$88,110	\$518,085	\$98,651
Loss per share – basic and diluted	\$0.0016	\$0.0015	\$0.014	\$0.0016
<u>Balance Sheet Information</u>				
Total assets	\$14,886,190	\$14,907,737	\$14,976,104	\$15,047,613

	Three Months Ended			
	Oct 31/13	July 31/13	Apr 30/13	Jan 31/13
<u>Earnings Information</u>				
Revenues	\$18	\$43	\$115	\$193
Expenses	\$106,102	\$119,771	\$426,563	\$152,829
Net loss for the period	\$106,084	\$119,728	\$426,449	\$152,636
Loss per share – basic and diluted	\$0.0018	\$0.0020	\$0.0071	\$0.0025
<u>Balance Sheet Information</u>				
Total assets	\$15,115,957	\$15,221,855	\$15,265,871	\$15,377,200

Fluctuations in quarterly results for revenues are primarily affected by factors such as interest earned per quarter based on the cash and cash equivalent balances held by the company during the quarter and interest rates paid by the bank to the company on these cash and cash equivalent balances.

Expense fluctuations in quarterly results are due primarily to factors such as administrative expenses and exploration and prospecting costs.

Related party transactions

The Company entered into the following related party transactions:

Management fees of \$10,000 (2014 - \$10,000) was incurred and payable to a company controlled by a shareholder with significant influence during the second quarter ended October 31, 2015.



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Interest on due to shareholders with significant influence of \$23,145 (2014 - \$20,705) was incurred and payable during the three-month period ended October 31, 2015.

The basis used to measure the related party transactions was the exchange amount based on the negotiated value between the parties.

The Company did not enter into any transactions with the key management personnel during the second quarters ended October 31, 2015 and 2014.

Resource Expenditures in Brazil

Karmin is engaged in the discovery, exploration and development of mining properties for mineral resource deposits in Brazil. The company has not yet determined whether its property contains reserves that are economically recoverable. The recoverability of the amounts shown for mining properties is dependent upon the existence of economically recoverable reserves, the ability of the company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties.

Management reviews the carrying values of the mining property on a regular basis to determine whether any write-downs are necessary. These costs will be amortized over the estimated useful life of the mining property following commencement of production or written off if the mining property or projects are sold or allowed to lapse. General exploration expenditures not related to the mining property are expensed as incurred.

Under the terms of the joint venture, Karmin's 30% interest in the property is carried by and paid for by a Brazilian subsidiary of Anglo American PLC. Accordingly, Karmin incurred no expenditures on the addition of mining properties during the year ended April 30, 2015 and no additional expenditures during the second quarter ended October 31, 2015.

The company's property is in the exploration stage and there can be no assurance that any of them will reach the stage of production.

Exploration

The company has a property in Brazil at Aripuanã in the state of Mato Grosso, Brazil. Exploration for the years ended April 30, 2015 and 2014, on the mining property was carried out by the company's joint venture partner on the Aripuanã property. Karmin holds a 30% free carried interest until the completion of a bankable feasibility study for the un-weathered, sulphide portion of the deposit, and holds 100% of the overlying oxide



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portion. The project operator, Votorantim and affiliates, have reported that they have commenced a pre-feasibility study on the sulphide part of the property.

Karmin's 100% owned oxide resources

The oxide portion did not receive any exploration expenditures in 2015. In 2004, a report written by the then operator, Anglo American, outlined a non-compliant mineral resource of gold mineralization. Karmin is considering carrying out further work in the future on the oxide portion of the deposit. Since it is located between 0 and 50 metres from surface, it is easily accessible. Past exploration suggests that gold and possibly silver have been concentrated in this weathered layer, while base metals have been depleted. This would lead to potentially a different extraction method if a processing facility were to be located at Aripuanã. Karmin is planning to more clearly define any gold/silver bearing oxide resource once Votorantim and affiliates, the sulphide operator, issues the results to the company of an advanced study outlining eventual sulphide production, and the company will plan a phased program of exploration on the oxides based on the relevant elements of the advanced study. This would allow any development of oxide ores to take advantage of an infrastructure developed for the sulphide processing facilities.

Karmin's 30% owned sulphide resources at Aripuanã

Votorantim is the operator for the underlying sulphides where potentially significant resources have been discovered below the oxidized layer. The main deposits within the project area are at Ambrex and Arex.

Sulphide Project Summary

RPA has prepared a technical report, dated January 29, 2013, in accordance with Canadian National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("NI 43-101") detailing the estimate of mineral resources. The mineral resource estimate incorporates 181 drill holes totaling 38,318 metres, which have been drilled since the previous NI 43-101 technical report in 2007. A total of 369 drill holes totaling 98,447 metres have been utilized to estimate the mineral resources at Aripuanã. The technical report is available on SEDAR and on Karmin's website at www.karmin.com. The summary of the resource estimate is outlined in Table 1 and the detailed estimates of resources are shown in Tables 2 and 3.



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Table 1 Summary of Mineral Resources – Aripuanã
September 12, 2012

	Grade						Contained Metal				
	Tonnage Mt	Zn %	Pb %	Cu %	Au g/t	Ag g/t	Zn M lb	Pb M lb	Cu M lb	Au Oz	Ag K Oz
AREX											
Measured	2.4	7.15	2.50	0.51	0.24	73	378	132	27	19,000	5,633
Indicated	2.5	3.50	1.18	1.36	0.64	37	195	65	76	52,000	2,996
Inferred	3.2	3.9	1.4	0.8	0.7	39	278	101	57	73,000	4,001
AMBREX											
Indicated	14.2	3.39	1.23	0.07	0.18	29	1,062	386	23	82,000	13,389
Inferred	11.5	5.0	1.7	0.1	0.30	40	1,269	436	36	108,000	14,657
AREX+AMBREX											
Measured	19.1	3.87	1.38	0.30	0.25	36	1,635	584	125	153,000	22,018
+ Indicated											
Inferred	14.7	4.8	1.7	0.3	0.4	39	1,547	536	93	181,000	8,560

Notes:

1. CIM definitions were followed for Mineral Resources.
2. Mineral Resources are reported as within mineralized wireframes modelled at 3% Zn in the stratabound zone and 0.5% Cu in the stringer zone and include internal dilution.
3. The Ambrex resource database does not include results of drilling in 2012.
4. Numbers may not add due to rounding.

Aripuanã's measured and indicated mineral resources total 19.1 million tonnes containing:

- 1.635 billion pounds of zinc
- 584 million pounds of lead
- 125 million pounds of copper
- 153,000 ounces of gold and
- 22,018,000 ounces of silver.

Aripuanã's inferred mineral resources total 14.7 million tonnes containing;

- 1.547 billion pounds of zinc
- 536 million pounds of lead
- 93 million pounds of copper
- 181,000 ounces of gold and
- 8,560,000 ounces of silver.



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The two principal mineral deposits at Aripuanã are Arex and Ambrex which host zones of higher grade mineralization which potentially provide significantly enriched mill feed early in the mining sequence, if the deposits are developed. Additionally, the Arex deposit outcrops at surface and thus can be more easily accessed by a decline in the early stages of potential mine development, reducing the development time and costs. The larger Ambrex deposit has an estimated 14.2 million tonnes of indicated resources and 11.5 million tonnes of inferred resources. The pre-feasibility study is expected to study a number of possible configurations, including the use of a 2,500 tonne per day (approximately 900,000 tonne per year) mill operation.

Karmin has a 30% carried interest in Aripuanã and is not required to contribute to the project costs until the completion of a bankable feasibility study.

Arex Mineral Resources

The near surface Arex deposit strikes at approximately 110° azimuth, extending over a strike length of 1,400 metres. Upper portions of the deposit tend to be near-vertical but lower portions dip at 60° to the northeast. Mineralization thicknesses average 30 metres reaching to a maximum of 60 metres. The detailed estimate of the mineral resources at Arex is outlined in Table 2. It should be noted that the stratabound zone carries relatively higher zinc, lead and silver grades while the stringer zone contains relatively higher copper grades.



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Table 2 Summary of Mineral Resources – Arex
September 12, 2012

	Tonnage Mt	Grade					Contained Metal				
		Zn %	Pb %	Cu %	Au g/t	Ag g/t	Zn M lb	Pb M lb	Cu M lb	Au Oz	Ag K Oz
MEASURED											
Stratabound	2.4	7.15	2.50	0.51	0.24	73	378	132	27	19,000	5,633
Total	2.4	7.15	2.50	0.51	0.24	73	378	132	27	19,000	5,633
INDICATED											
Stratabound	1.2	7.10	2.41	0.50	0.26	54	183	62	13	10,000	2,027
Stringer	1.4	0.39	0.11	2.11	0.97	22	12	3	63	42,000	968
Total	2.5	3.50	1.18	1.36	0.64	37	195	65	76	52,000	2,996
MEASURED + INDICATED											
Stratabound	3.6	7.13	2.47	0.50	0.25	67	561	195	40	29,000	7,661
Stringer	1.4	0.39	0.11	2.11	0.97	22	12	3	63	42,000	968
Total	4.9	5.28	1.82	0.94	0.44	55	573	198	102	71,000	8,629
INFERRED											
Stratabound	2.1	5.9	2.2	0.3	0.3	49	271	99	14	20,000	3,315
Stringer	1.1	0.3	0.1	1.7	1.4	19	7	2	43	53,000	686
Total	3.2	3.9	1.4	0.8	0.7	39	278	101	57	73,000	4,001

Notes:

1. CIM definitions were followed for Mineral Resources.
2. Mineral Resources are reported as within mineralized wireframes modelled at 3% Zn in the Stratabound zone and 0.5% Cu in the Stringer zone and includes internal dilution.
3. The Mineral Resource estimate uses drill hole data available as of September 2012.
4. Numbers may not add due to rounding.

The estimated measured and indicated mineral resources in the Arex deposit (Table 2) are:

- stratabound zone; 3.6 million tonnes grading 7.13% zinc, 2.47% lead, 67 grams per tonne silver and minor copper and gold values,
- stringer zone; 1.4 million tonnes grading 2.11% copper, 0.97 grams per tonne gold, 22 grams per tonne silver and minor zinc and lead values.



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Additionally, the estimate of inferred mineral resources in the Arex deposit is:

- stratabound zone; 2.1 million tonnes grading 5.9% zinc, 2.2% lead, 49 grams per tonne silver and minor copper and gold values,
- stringer zone; 1.1 million tonnes grading 1.7% copper, 1.4 grams per tonne gold, 19 grams per tonne silver and minor zinc and lead values.

The pre-feasibility study will also consider the inclusion of mineral resources from the Arex zone and the impact of a life of mine using the proposed 2,500 tonne per day (approximately 900,000 tonne per year) operation. Conceptually, the zinc-lead-silver rich stratabound mineralization would be mined and processed separately from the copper rich stringer material.

The measured and indicated mineral resources at Arex contain;

- 573 million pounds of zinc
- 198 million pounds of lead
- 102 million pounds of copper
- 71,000 ounces of gold and
- 8,629,000 ounces of silver.

The inferred mineral resources at Arex contain;

- 278 million pounds of zinc
- 101 million pounds of lead
- 57 million pounds of copper
- 73,000 ounces of gold and
- 4,001,000 ounces of silver.

Ambrex Mineral Resources

Ambrex represents the central and largest of the known mineralized zones at Aripuanã. Ambrex is located 1,300 metres southeast of Arex, strikes at approximately 125° azimuth along a 1,300 metre strike length. The dip varies from near vertical to 70° to the northeast. Mineralization thicknesses typically range between 10 metres and 50 metres with a maximum of 150 metres. Drilling to date indicates that Ambrex has an upper depth of 60 metres below surface and mineralization known to a lower level of approximately 350 metres with the deposit still open at depth.

The detailed estimate of the mineral resources at Ambrex is outlined in Table 3. Again, as at Arex, it should be noted that the stratabound zone carries relatively higher zinc, lead and silver grades while the stringer zone contains relatively higher copper grades.



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Table 3 Summary of Mineral Resources – Ambrex
September 12, 2012

	Tonnage Mt	Grade					Contained Metal				
		Zn %	Pb %	Cu %	Au g/t	Ag g/t	Zn M lb	Pb	Cu	Au Oz	Ag K Oz
								M lb	M lb		
INDICATED											
Stratabound	14.2	3.39	1.23	0.07	0.18	29	1,062	386	23	82,000	13,389
Total	14.2	3.39	1.23	0.07	0.18	29	1,062	386	23	82,000	13,389
INFERRED											
Stratabound	11.0	5.2	1.8	0.1	0.3	41	1,268	435	21	95,000	14,468
Stringer	0.5	0.1	0.1	1.4	0.8	12	1	1	15	13,000	189
Total	11.5	5.0	1.7	0.1	0.30	40	1,69	436	36	108,000	14,657

Notes:

1. CIM definitions were followed for Mineral Resources.
2. Mineral Resources are reported as within mineralized wireframes modelled at 3% Zn in the Stratabound zones and 0.5% Cu in the Stringer zones and includes internal dilution.
3. The Mineral Resource estimate uses drill hole data available as of July 2012.
4. Numbers may not add due to rounding.

The indicated mineral resources in the relatively large Ambrex deposit (Table 3) are estimated as:

- stratabound zone; 14.2 million tonnes grading 3.39% zinc, 1.23% lead, 29 grams per tonne silver and minor copper and gold values.

Additionally, the estimated inferred mineral resources in the Ambrex deposit are:

- stratabound zone: 11.0 million tonnes grading 5.2% zinc, 1.8% lead, 41 grams per tonne silver and minor copper and gold values
- stringer zone: 0.5 million tonnes grading 1.4% copper, 0.8 grams per tonne gold, 12 grams per tonne silver and minor zinc and lead values

The pre-feasibility study will also consider the inclusion of mineral resources from the Ambrex zone and the impact of a life of mine using the proposed 2,500 tonne per day (approximately 900,000 tonne per year) operation.



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The indicated mineral resources at Ambrex contain;

- 1.062 billion pounds of zinc
- 386 million pounds of lead
- 23 million pounds of copper
- 82,000 ounces of gold and
- 13,389,000 ounces of silver. The inferred mineral resources at Ambrex contain;
- 1.269 billion pounds of zinc
- 436 million pounds of lead
- 36 million pounds of copper
- 108,000 ounces of gold and
- 14,657,000 ounces of silver.

The estimated mineral resources at Aripuanã include 240 drill holes totaling 45,760 metres at Arex and 129 drill holes totaling 52,687 metres at Ambrex. Drill sections were spaced from 25 metres to 100 metres apart along strike with intercepts on each section spaced 12.5 metres to 50 metres apart down dip. A set of cross sections was interpreted to construct three dimensional wireframe models of the mineralized zones which were modelled at 3% zinc in the stratabound zones and 0.5% copper in the stringer zones. Grades were estimated using ordinary kriging while densities were calculated using regression analysis of density based on the proportional metal content of zinc+copper+lead+iron at Arex and zinc+copper+lead at Ambrex.

Babaçú

The Babaçú deposit lies about 500 metres southeast of Ambrex with a strike length of 600 metres while dipping steeply to the northeast. RPA reviewed 42 drill holes totaling 19,338 metres and estimates that the potential tonnage and grade of mineralization at the Babaçú prospect could be three to six million tonnes grading from 3.0% zinc to 5.0% zinc, 1.0% lead to 2.5% lead, 0.2% copper to 0.5% copper, 0.15 grams per tonne gold to 0.4 grams per tonne gold and 10 grams per tonne silver to 30 grams per tonne silver. The potential quantity and grade is conceptual in nature as there has been insufficient exploration to define a mineral resource, and it is uncertain if further exploration will result in the target being delineated as a mineral resource.

Exploration Potential

In addition to Babaçú, the Aripuanã Zinc Project has significant exploration potential as the deepest hole on the property, FPAR 159 (co-ordinates with datum SAD69 are 8887383.96N, 227007.1E drilled at an azimuth of 212.15 degrees at a dip of -62.45 degrees) was drilled into the deepest zones of the Ambrex Deposit and intersected mineralization from 635.4 metres to 646.7 metres grading 36.5% zinc, 13.5% lead, 0.1% copper, 1.1 grams per tonne gold and 242.7 grams per tonne silver (Karmin press release dated September 13, 2012). The deepest intersection in FPAR 159 was recorded from 814.1 metres to 821.6 metres and graded 8.8% zinc, 1.8% lead, nil copper, 0.3 grams per



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tonne gold and 85.1 grams per tonne silver. The true width of these intersections is unknown and these results are not included in the current estimate of mineral resources.

The Aripuanã Zinc Project also hosts additional massive sulphide zones along a 25 kilometer strike length which require additional exploration and have not been included in the current estimate of mineral resources.

Further Potential at Aripuanã

Votorantim and affiliates, 70% owner and operator of Aripuanã, have also announced the ongoing internal pre-feasibility study of Aripuanã will be completed in 2015 or 2016. The pre-feasibility study is studying the possible development of a mine producing 1.2 million tonnes of ore per year (3,300 tonnes per day) starting after 2016. If developed, it is expected that the processing plant would produce 60,000 tonnes per year of zinc in concentrate, 20,000 tonnes per year of lead in concentrate and 6,000 tonnes per year of copper in concentrate. Votorantim and affiliates have indicated that the current estimate of capital costs is in the order of \$250 million. Final approval of an internal feasibility study is pending before the results will be released to Karmin.

Subject to the outcome of the feasibility study, it is currently expected that construction at Aripuanã could start as early as 2016 with completion projected 18 months later in 2018.

Karmin has a 30% carried interest in Aripuanã and is not required to contribute to the project costs until 12 months after the completion of a bankable feasibility study. Since 2004 over US\$35 million has been spent on the evaluation of Aripuanã by Votorantim.

Various government agencies in Brazil have announced a comprehensive highway construction program, costing approximately \$750 million, for paving many of the roads in the State of Mato Grosso where Aripuanã is located. This highway construction program will include a state highway to the town of Aripuanã and the building of a modern bridge over the Aripuanã River giving excellent road access directly to the Aripuanã Zinc Project. A newly constructed 261 MW hydroelectric facility located 20 kilometres from the Aripuanã Zinc Project provides abundant electrical power to the area.

Closing of Acquisition of Mining Concessions in Peru

On February 15, 2012 the company acquired 100% of the right, title and beneficial interest held by Alberto Aurelio Arias Davila (the "Vendor"), a Peruvian mining entrepreneur and an arm's length party, in two mining concessions (the "Purchased Mining Concessions") forming a portion of the Cushuro Gold Project Property located in the department of La Libertad in the Republic of Peru (the "Acquisition"). The Acquisition closed following receipt of final approval from the TSX Venture Exchange



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(the "Exchange") of the Cushuro Acquisition (as defined below), further to its original announcement dated November 22, 2011.

In addition to the Acquisition, Karmin also announced that it has entered into a separate lease agreement (the "Lease") an additional mining concession from the Vendor (the "Option Mining Concession", and together with the Purchased Mining Concessions, the "Cushuro Mining Concessions"), also forming a portion of the Cushuro Gold Property Project, providing Karmin with access to the Option Mining Concession during the Option Term (as defined below).

Pursuant to an option agreement (the "Option Agreement") with the Vendor, on January 18, 2013, Karmin exercised an irrevocable and exclusive option (the "Option") to purchase from the Vendor 100% (and not less than 100%) of the right, title and beneficial interest in the Option Mining Concession (the "Option Acquisition", and together with the Acquisition, the "Cushuro Acquisition").

In connection with the closing of the Acquisition and the entering into of the Lease, and exercising of the Option, Karmin issued an aggregate of 15,000,000 common shares of Karmin to the Vendor, representing approximately 24.98% of the total issued and outstanding common shares of Karmin, which resulted in the Vendor becoming a Control Person (as defined in the policies of the Exchange).

The closing price of the common shares of Karmin on November 21, 2011, the trading day immediately preceding the execution of the Purchase Agreement and the Option Agreement, was \$0.69 per common share (the "Share Price"), resulting in the total value of the consideration paid in connection with the Acquisition to \$10,246,500. Based on the Share Price, the total value of the consideration paid in connection with the Lease was \$10,350. The closing price of the common shares of Karmin on January 18, 2013, the date the Option was exercised, was \$0.2282 per common share, resulting in the total value of the consideration to be paid in connection with the Option to be \$30,807. The aggregate consideration paid by Karmin to the Vendor in connection with the Cushuro Acquisition will be \$10,287,657.

The Cushuro Mining Concessions are located in the Huamachuco Gold-Mining District in the sierras of north-western Peru. The concessions include a gold-mineralized zone (the "Zona Cushuro") that is similar to other operating mines in the district, including Lagunas Norte, La Virgen, La Arena, El Toro and Santa Rosa. The concessions cover a 25 square kilometre area, span an elevation range of 3,900 to 4,200 meters, and can be reached in four to five hours via well-maintained roads from the coastal city of Trujillo. The area is crossed by a power transmission line. Please see the news release of Karmin dated November 22, 2011 for more information about the Cushuro Mining Concessions. In compliance with National Instrument 43-101 - Standards of Disclosure for Mineral



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Projects and the policies of the Exchange, Karmin also filed a technical report in respect of the Cushuro Mining Concessions.

In accordance with the policies of the Exchange, trading in the common shares of Karmin was halted on November 22, 2011 pending receipt and review by the Exchange of documentation relating to the Cushuro Acquisition. The halt on the trading in the common shares of Karmin was lifted and trading in the common shares resumed on February 13, 2012.

Designated Director

Pursuant to the Purchase Agreement, Karmin granted the Vendor the right to designate an individual (the "Designated Director") to be included among the nominees to act as directors of Karmin at the next meeting of shareholders of Karmin at which the Board was to be elected. Such meeting was held in January, 2012 and Dr. Luis Rodriguez-Mariategui Canny, the Designated Director, was elected by the shareholders of Karmin at the meeting, such appointment being conditional on the approval of the Exchange and on the closing of the Acquisition. The Exchange had approved Dr. Rodriguez-Mariategui Canny's appointment as director upon the closing of the Acquisition, which occurred in February, 2012.

Mining Property

<u>Property</u>	<u>Capitalized Expenditures During 2015</u>	<u>Capitalized Expenditures During 2014</u>	<u>Total Costs Capitalized at April 30, 2015</u>	<u>Type</u>	<u>%Owned</u>
<u>Brazil:</u>					
Aripuanã	\$nil	\$nil	\$1,088,924	Zinc/Gold	30%
<u>Peru:</u>					
Cushuro	\$101,000	\$174,957	\$13,633,700	Gold	100%



Management's Discussion and Analysis

Liquidity and Capital Resources

Working Capital

Karmin had a net working deficiency (current assets less current liabilities) of \$839,433 at the second quarter ending October 31, 2015 (compared to \$559,502 at the quarter ending October 31, 2014) consisting primarily of cash and receivables less accounts payable and accrued liabilities. The decrease in working capital is directly attributable to lower cash balances and increased current liabilities.

The Company finances its operations and investments primarily through the issuance of share capital and advances from shareholders. There can be no assurance that additional funds will be available at any given time in the future.

Operating Activities

Cash flows used in operating activities during the quarter ending October 31, 2015 were \$75,782 compared to cash flows used of \$59,594 for 2014.

For the second quarter of the current year, cash flows used by operating activities were primarily due to the use of cash from the loss recorded for the quarter and adjustments of \$68,806, and by non-cash working capital items of \$6,976.

For the second quarter of the prior year, cash flows from operating activities were primarily due to the use of cash from the loss recorded for the quarter and adjustments of \$77,208, offset by non-cash working capital items of \$17,614.

Financing Activities

Cash flows from financing activities for the quarter ending October 31, 2015 amounted to \$82,000, compared to \$32,465 in the same quarter of the prior year. For the second quarter of the current year and prior year, cash flows from financing activities consisted of an increase in the amount due to a shareholder with significant influence.



Management's Discussion and Analysis

Investing Activities

During the quarter ending October 31, 2015, cash flows used in investing activities amounted to \$19,386, compared to \$480 during the same quarter of the prior year.

Balance Sheet

Assets

The Company had consolidated assets totaling \$14,999,640 at the second quarter ending October 31, 2015 as compared to \$14,918,230 at the prior year ending April 30, 2015.

The majority of the assets of the Company of \$14,823,624 were capitalized in Mining Properties as non-current assets (as compared to \$14,722,624 at the prior year ending April 30, 2015).

The property is listed above by name, cost, type and location.

Due to Shareholders with Significant Influence

The Company's long term liabilities include amounts due to shareholders with significant influence of \$3,151,178. Amounts due to shareholders with significant influence include a balance payable to a shareholder bearing interest at 3% in the amount of \$1,387,437, payable on May 1, 2016 (which includes the principal amount of \$1,366,945 plus accrued interest of \$20,492). The total amount also includes a balance bearing interest of 3%, in the amount of \$1,763,741 payable on May 1, 2016 (which includes the principal amount of \$1,738,845 plus accrued interest of \$24,896).

Capitalization

The Company has 60,351,083 common shares outstanding at the second quarter ended October 31, 2015 and the most recent year ended April 30, 2015.

On December 7, 2014, a director of the company exercised options to purchase 300,000 common shares at the exercise price of \$0.20 per share.

On September 22, 2011, the company announced that a non-brokered Private Placement (involving certain new members of the board of directors of the Company) with an aggregate of 637,500 common shares in the capital were issued at a price of \$0.40 per Common Share for gross proceeds of \$255,000.



Management's Discussion and Analysis

On February 15, 2012, the company acquired the Cushuro Gold Project Property located in the Republic of Peru and also entered into a separate lease agreement for an additional mining concession from the Vendor. In connection with this acquisition and lease, 14,865,000 common shares were issued as consideration to the Vendor, representing approximately 27.55% of the total issued and outstanding common shares of Karmin, which resulted in the Vendor obtaining significant influence over the company. The closing price of the common shares on the trading day immediately preceding the execution of the agreements was \$0.69 per common share resulting in the total value of the consideration paid in connection with the acquisition to \$10,246,500. Based on the share price, the total value of the consideration paid in connection with the lease was \$10,350,000.

On February 16, 2012 the company announced that it has entered into an agreement with KALLPA Securities Sociedad Agente de Bolsa S.A. ("Kallpa"), to be retained to sponsor the listing of common shares of Karmin on the Lima Stock Exchange (the "BVL"). On April 5, 2012, 5,959,992 common shares were issued for net proceeds of \$3,910,891.

On January 18, 2013, Karmin exercised an irrevocable and exclusive option (the "Option") to purchase from the Vendor 100% (and not less than 100%) of the right, title and beneficial interest in the Option Mining Concession (the "Option Acquisition", and together with the Acquisition, the "Cushuro Acquisition"). In connection with this Option being exercised, 135,000 common shares were issued as consideration to the Vendor. The closing price of the common shares on the date the Option was exercised was \$0.23 per common share, resulting in the total value of the consideration to be paid in connection with the Option to be \$30,807. The aggregate consideration paid by Karmin to the Vendor in connection with the Cushuro Acquisition will be \$10,287,657. Kallpa is a Peruvian investment company specializing in equity sales, research and corporate finance, and is the leading sponsor for junior mining companies in Peru. As of today, Kallpa sponsors 9 of the 15 junior mining companies listed on the Venture Exchange of the BVL. Kallpa commenced operations in 2008 and ranked 7th by volume traded among 25 Peruvian brokers with a 4% market share in the Peruvian market. As Karmin's sponsor, Kallpa will support the marketing process of Karmin's common shares in Peru, Chile and Colombia while providing all services required by the BVL and any other local regulatory authorities. Kallpa will also prepare research reports and marketing documents for Karmin as well as organize meetings with the principal institutional and retail participants in the Peruvian, Chilean and Colombian capital markets.



Management's Discussion and Analysis

Stock Options

The company has 3,500,000 stock options outstanding at a weighted average exercise price of \$0.37 at the second quarter ended October 31, 2015.

On February 5, 2014, directors of the company were granted 765,000 stock options at an exercise price of \$0.20 per share for a period of five years. The stock options vested immediately. There was no option activity during the 2013 year.

In September 2011, 2,535,000 options were granted to new members of the Board of Directors at exercise price of \$0.40 per share for 5 years and 2,550,000 were cancelled.

On February 15, 2012, in connection with the appointment of a new director (Dr. Rodriguez-Mariategui Canny of Peru), the board of directors of Karmin granted 200,000 stock options at an exercise price of \$0.59 per common share for a period of 5 years.

The company uses the Black & Scholes option valuation method.

New accounting Standards and Pronouncements

New accounting standards and interpretations adopted during the year

The company has adopted the following new and revised standard, along with any consequential amendments, effective May 1, 2014. This change was made in accordance with the applicable transitional provisions.

The following is a brief summary of the new standard:

IFRIC 21, *Levies* ("IFRIC 21")

In May 2013, the IASB issued International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and is to be applied retrospectively. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The adoption of IFRIC 21 has no impact on the consolidated financial statements.

New accounting standards issued but not yet in effect

The IASB issued the following standards which are relevant but have not yet been adopted by the company: IAS 1, *Presentation of Financial Statements*, IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers*. The company has not yet begun the



Management's Discussion and Analysis

process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the requirements.

The following is a brief summary of the new standards:

IAS 1, *Presentation of Financial Statements*

In December 2014, the IASB issued amendments to IAS 1, "*Presentation of Financial Statements*". These amendments clarify guidance on how to exercise professional judgment in determining the extent and structure of disclosures in financial statements. Since IAS 1 is a presentation standard, the amendments thereto, which are effective for annual periods beginning on or after January 1, 2016, will have no impact on the Company's profit or loss or financial position.

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9, "*Financial Instruments*", and will replace IAS 39, "*Financial Instruments: Recognition and Measurement*". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Requirements relating to hedge accounting representing a new hedge accounting model have also been added to IFRS 9. The new standard is effective for annual periods beginning on or after January 1, 2018, and must be applied retrospectively. The Company has not yet assessed the impact that the new standard will have on its consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 "*Revenue from Contracts with Customers*". The objective of this new standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability. This new standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This new standard is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The company has not yet assessed the impact that the new standard will have on its consolidated financial statements or whether or not to early adopt the new standard.



Management's Discussion and Analysis

Risk and Uncertainties

The mining industry is competitive and, in addition, the company is exposed to other risks including the following:

- Exploration risks that commercially viable minerals be discovered;
- Commodity risks of mineral prices in the world;
- Financing risks of future capital generation that may be required; and,
- Political and currency risks of the company doing business outside of Canada and in Brazil and in Peru.

Mineral exploration involves a high degree of risk. Few properties that are explored are ultimately developed into production. The Company's property has no known body of commercial ore. Other risks facing the Company include: political stability in Brazil and Peru; changes in legislation in Brazil and Peru that could affect exploration and mining rights as well as taxation and royalties; fluctuations in mineral prices; ability to attract and retain qualified personnel; availability of additional capital; costs and availability of materials and services relevant to the mining industry; title risks; and integrity of exploration results.

Contractual Obligations

The company has no contractual obligations or off balance sheet arrangements as at October 31, 2015 and 2014.

Contingency

The company has no contingent liabilities outstanding as at October 31, 2015 and 2014.

Management's Responsibility for Financial Statements

The information in this interim financial report is the responsibility of management. The consolidated financial statements have been prepared by management in accordance with IFRS, including IAS 34 "Interim Financial Reporting", and in accordance with the accounting policies set out in notes to the consolidated financial statements.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that reasonable care and judgment are applied in making such estimates and assumptions.

Management maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, recorded and



Management's Discussion and Analysis

reported properly, principally by submission of the financial statements, before and after their consolidation, to the Board of Directors for approval.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through ongoing discussion with management.

The Company's external auditors, PricewaterhouseCoopers LLP, have audited the financial statements for the year ended April 30, 2015 and have expressed an opinion thereon. There is no opinion expressed by the auditors on the condensed interim consolidated financial statements for the fiscal quarter ended October 31, 2015.

Forward-Looking Statements

Certain statements contained or incorporated in this management analysis and discussion of financial condition and results of operations constitute forward-looking statements. Such forward-looking statements are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in our forward-looking statements. Shareholders and prospective investors should not place undue reliance on forward-looking information and should bear in mind the risks and uncertainties outlined above under "Risks and Uncertainties".

Additional Information

Additional information relating to Karmin can be found elsewhere in the Annual Financial Statements, the Condensed Interim Statements and other public filings, all of which are available for viewing on SEDAR at www.sedar.com.

December 21, 2015

(Signed) David Brace

David Brace
Chief Executive Officer

(Signed) John A. Iannozzi

John A. Iannozzi, CA
Chief Financial Officer